

Message

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Subject: FCA Clips 1/13/17

Below: AP, Bloomberg, Reuters via (Automotive News), Fox Business

AP

http://hosted.ap.org/dynamic/stories/E/EU_GERMANY_ITALY_FIAT_CHRYSLER?SITE=AP&SECTION=HOME&TEMPLATE=DEFAULT

Germany Urges EU To Grill Italy over Fiat Chrysler Emissions

1/13/17 8:29 AM EST

BERLIN (AP) -- Germany wants the European Union's executive branch to question Italy over software that regulates emissions in Fiat Chrysler diesel cars.

A Transport Ministry spokeswoman says German authorities believe the software constitutes an unauthorized "defeat device."

German automaker Volkswagen has been embroiled in a scandal over excessive diesel emissions after U.S. authorities found a defeat device in its vehicles.

Transport Ministry spokeswoman Svenja Friedrich noted that Fiat Chrysler had refused to meet German authorities, and Italy had canceled a "mediation" meeting with the European Commission scheduled for the end of the month.

Friedrich told reporters Friday that "we urge the EU Commission to insist on a new appointment in the near future."

Fiat Chrysler CEO Sergio Marchionne has denied wrongdoing in response to a probe by the U.S. Environmental Protection Agency.

Bloomberg

<https://www.bloomberg.com/news/articles/2017-01-13/marchionne-faces-cheating-charge-from-weaker-position-than-vw>

Marchionne Faces Cheating Charge From Weaker Position Than VW

By Jamie Butters, Ryan Beene, and Tommaso Ebhardt 1/13/17 8:22 AM EST

The emissions-violations accusations lodged against Fiat Chrysler Automobiles NV Thursday may look like those that have cost Volkswagen AG more than \$20 billion -- the kind of money the smaller carmaker doesn't have.

The good news for the company, which lacks the balance sheet, global scale or brand strength to weather a VW-size scandal, is that the Environmental Protection Agency's case isn't as sweeping as what hit the German auto giant. The regulator hasn't proven Fiat Chrysler installed so-called defeat devices, which VW admitted to using to cheat emissions tests. But the company could still face stiff fines for what the EPA claims was illegal software in 104,000 Jeep Grand Cherokees and Ram 1500s that allowed them to exceed pollution limits on the road.

The allegations, which Chief Executive Officer Sergio Marchionne dismissed as "unadulterated hogwash," were the latest blow from Washington, where safety regulators are probing some of the company's top SUVs that have rolled away when drivers thought they'd parked. The U.S. Justice Department and Securities and Exchange Commission also are said to be investigating Fiat Chrysler's sales-reporting practices.

While the emissions charges may result in penalties as high as \$4.6 billion -- based on the EPA's estimate for the possible fine per car -- the actual cost will likely be much smaller because the problem can probably be fixed with software updates. The case against Fiat Chrysler shouldn't be compared to Volkswagen, "not least because FCA is American," according to Massimo Vecchio, an analyst at Mediobanca.

"Fiat yesterday lost 2.6 billion euros in market capitalization which seems a worst case scenario to us," Vecchio said, referring to a drop of more than 18 percent in the company's share price in New York trading after the alleged violations were announced on Thursday. An investigation under the new EPA chief taking office following Donald Trump's inauguration will likely lead to penalties of around \$450 million, which is "easily manageable" for the company, Vecchio said.

Fiat shares rose as much as 7.6 percent in Milan trading, and were 4.7 percent higher at 9.19 euros at 2:19 p.m. That brings the stock's gain in the past year to about 24 percent, and lifts its market value to 14.3 billion euros.

Fiat Chrysler breached pollution laws with the diesel-powered Ram pickups and Jeep sport utility vehicles because it failed to disclose emission-control devices that "no doubt" contributed to pollution, according to Cynthia Giles, the EPA's enforcement chief.

Marchionne said his company did nothing wrong and that his situation is entirely different from VW's, calling insinuations to the contrary "absolute nonsense."

VW set up emissions-control systems in 11 million diesel cars to turn on full pollution controls only when the vehicles were being tested. The German automaker pleaded guilty to U.S. criminal charges Wednesday and agreed to pay \$4.3 billion in fines, raising the total cost of the scandal to about 20.5 billion euros. Earlier settlements also require VW to buy back cars and compensate owners, pay its dealers and fund pollution-reduction projects.

Fiat Chrysler didn't make any effort to circumvent emissions tests, Marchionne said. "This software doesn't look for anything," the way VW's sought to detect when tests were being conducted, he said. "It just runs."

What's more, Marchionne told reporters on a conference call, the notion that control devices need to be clearly identified and disclosed to the EPA isn't clear-cut.

In fact, emission-control software isn't illegal. It's allowed to kick in for circumstances such as when the engine might otherwise be harmed, including when starting-up in cold weather. The EPA's Giles said the burden is now on Fiat Chrysler "to prove it isn't a defeat device."

Marchionne said Fiat engineers are scheduled to meet Friday with EPA officials and Monday with the California's Air Resources Board regarding the allegations, which involve 2014-2016 models. They'll discuss the carmaker's 2017 diesel models, which the regulators need to approve for sale.

The EPA's allegations "came out of the wild blue," the CEO said, arriving as Fiat Chrysler was hoping to hit its stride following years of struggles. After General Motors Co. spurned his overtures to merge beginning in 2015, Marchionne

narrowed the company's focus. He eliminated car models -- including an efficient compact car the Obama administration mandated -- to refocus on more lucrative pickups and SUVs.

While the strategy has potential to boost profits, it runs counter to the stiffer fuel economy rules scheduled for the coming years by the Obama administration. Fiat Chrysler's shares dropped 22 percent last year leading up to election day.

Then Trump won the presidency. From Nov. 8 through Wednesday, Fiat Chrysler's U.S.-listed stock had jumped 56 percent, partly in anticipation that Trump's pledge to deregulate will include easing fuel-economy rules.

Marchionne could use Trump's help with the EPA -- and even with an endorsement for a marriage with GM. Marchionne said during the Detroit auto show this week that Trump should like the merger idea.

"Since the VW issue transpired, there appears to be an incredibly belligerent view against the auto industry that's filtering through from the EPA," Marchionne told reporters Thursday. "We don't belong to a class of criminals."

Reuters via Automotive News

<http://europe.autonews.com/article/20170113/ANE/170119892/eu-expects-answers-from-italy-over-alleged-fiat-chrysler-emissions?ccid=email-ane-daily>

EU expects answers from Italy over alleged Fiat Chrysler emissions cheating

By Alissa de Carbonnel 1/13/17, 9:30 CET

BRUSSELS -- The European Commission called on Italy to provide proof against Germany's allegation that Fiat Chrysler used illegal exhaust emissions defeat devices, stepping up pressure on the group amid accusations of emissions manipulation against it in the U.S.

Germany has asked the EU executive **to mediate its dispute with Italy**, which rejected Germany's allegations of hidden software on the Fiat 500X, Fiat Doblo and Jeep Renegade models that allowed excess diesel emissions.

Germany's motor vehicle authority, the KBA, began testing the vehicles of several manufacturers, including Fiat Chrysler, after Volkswagen Group's admission in September 2015 that it cheated emissions tests.

An EU source said that testing carried out on one Fiat 500X vehicle at the EU's own vehicle testing laboratory north of Milan showed suspicious emissions behavior.

Fiat Chrysler declined to comment.

Fox Business

<http://www.foxbusiness.com/markets/2017/01/13/fiat-chrysler-fights-epa-over-diesel-claims.html>

Fiat Chrysler Fights EPA Over Diesel Claims

By Matthew Rocco 1/13/17

Fiat Chrysler Automobiles (FCAU) is firing back at the U.S. Environmental Protection Agency over allegations that the automaker failed to disclose its use of software allowing higher tailpipe emissions in two diesel-powered models.

Regulators say 2014-2016 Jeep Grand Cherokee SUVs and Ram 1500 pickup trucks have engine-management software that alters the way they emit pollution. Based on EPA tests, the vehicles—equipped with 3-liter diesel engines—emitted nitrogen oxides at levels exceeding federal standards under normal driving conditions.

For consumers, the vehicles are safe and legal to drive, EPA officials said on a conference call with reporters. The EPA has not told Fiat Chrysler to cease sales of the affected diesel-powered vehicles.

“This is a preliminary investigation into a procedure that is legal. This is not the same thing as Volkswagen at this point,” Rebecca Lindland, executive analyst at Kelley Blue Book, told FOXBusiness.com. “It’s one thing to use a calculator on a math test if it’s allowed. It’s another thing if you don’t tell anybody.”

Fiat Chrysler is pushing back on the EPA’s claims, arguing that its software meets regulatory requirements.

The Italian-American automaker issued a statement saying it has “spent months providing voluminous information” to the EPA and other government agencies in an attempt to explain its emissions-control technology. Fiat Chrysler also said it proposed multiple fixes, including software updates that could be implemented immediately.

In a little more than a week, the EPA will have a new leader.

President-elect Donald Trump’s pick to head the EPA, Oklahoma Attorney General Scott Pruitt, has been a longtime critic of the agency’s policies. Fiat Chrysler conveyed its intent to “work with the incoming administration to present its case and resolve this matter fairly and equitably and to assure the EPA and FCA US customers that the company’s diesel-powered vehicles meet all applicable regulatory requirements.”

The company added that it “looks forward to the opportunity to meet with the EPA’s enforcement division and representatives of the new administration to demonstrate that FCA US’s emissions control strategies are properly justified.”

Fiat Chrysler intends to show that its technology bears no resemblance to a “defeat device,” or software that turns on the emissions-control system when a test is underway.

The EPA, which stopped short of accusing Fiat Chrysler of cheating on emissions tests, has initiated an investigation.

Shares of Fiat Chrysler plunged as much as 16% on Thursday. The stock closed 10.3% lower at \$9.95 a share.

This isn’t the only ongoing feud between the auto industry and the EPA. The Alliance of Automobile Manufacturers accused the EPA of cutting short a mid-term review of the Obama administration’s fuel-economy rules. The EPA, which had expected to draft final standards by April 2018, instead issued a recommendation to keep the rules unchanged. In response, the industry said it would seek changes once Trump takes office.

Fiat Chrysler stressed that the EPA’s accusations are different than the diesel scandal that has plagued Volkswagen. Anyone who compares the two cases is “smoking illegal material,” CEO Sergio Marchionne told reporters.

Volkswagen has acknowledged that up to 11 million vehicles around the world were equipped with software that helped vehicles cheat on diesel-emissions tests. The German automaker will buy back or fix nearly 580,000 affected vehicles in the U.S.

In a settlement with the U.S. Department of Justice, Volkswagen pleaded guilty and agreed to pay \$4.3 billion in fines. The DOJ also announced charges against six Volkswagen supervisors from Germany.

“If I found a guy like that, I would have hung them on a door,” Marchionne said when asked about employees potentially breaking the law, according to USA Today.

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